



# THE UTAH TAXPAYER

A PUBLICATION OF THE UTAH TAXPAYERS ASSOCIATION

## Are My Property Taxes Going Up? A Look at Proposed Taxes, Fees

Every August, cities and school districts in Utah (along with some special districts) have the opportunity to raise property taxes when adopting their budget for the upcoming year. For counties and the remaining special districts, this process happens in December.

Thanks to Utah’s taxpayer-friendly property tax system, when a taxing entity wishes to raise property taxes it must first hold a public hearing called Truth in Taxation (TnT). This gives citizens an opportunity to voice their opinion and forces transparency in the taxing process.

Your Utah Taxpayers Association always tracks the budgets of Utah’s major cities and all 41 school districts to monitor property tax changes. So far this year the Taxpayers Association is aware of several entities that are pursuing property tax increases, including bonds.

Let’s dive in.

### Provo

This is the second year in a row that Provo is looking to raise property taxes. In the previous fiscal year (2015-2016), the Provo City Council approved a 2.28% property tax increase.

### Register Now for the Annual “Teed Off on Taxes” Golf Tournament

“Teed Off On Taxes” Golf Tournament on **Thursday, June 9, 2016** at the Eaglewood Golf Course in North Salt Lake: 1110 East Eaglewood Drive, North Salt Lake.

*Foursome – \$500*

*Hole sponsorship including foursome – \$1000*

Mulligans are available for \$10 each, maximum of 4 per foursome. If you would like to add mulligans to your foursome, add \$10 for each mulligan to your total price, up to \$40. You can also pay for mulligans the day of the golf tournament.

Sponsorship opportunities are available.

To register or sponsor, contact Teresa Urie at

[Teresa@utahtaxpayers.org](mailto:Teresa@utahtaxpayers.org), or by calling (801) 972-8814.

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## My Corner: State School Board Elections Crucial to Education Reform

For 45 days every year, the voting public focuses its attention on the decisions and meetings of the 104 members of Utah’s Legislature. Inevitably, the public saves its closest scrutiny to evaluate the direction the Legislature

goes with education. How much new money will go to teachers?

As important as the Legislature’s decisions are, they are less than half Utah’s public education equation. The decisions by the State Board of Education are at least as important as those by the Legislature. For example, the State Board of Education is the point of contact between Utah classrooms and the federal Department of Education. They negotiate waivers from federal requirements, and help school districts and charter schools understand and follow the myriad of special education requirements.

Through their rule-making authority, the State Board of Education fills in the day-to-day guidelines for distributing more than \$5 BILLION in funding to school districts and charter schools. They set minimum standards governing how aspiring teachers can obtain a teaching license, and adjudicate complaints that may result in a teacher losing his teaching license. And of course, they adopt and revise the standards determining what Utah students must know and be able to do, as well as identify the means by which policy-makers can verify that students meet those standards.

By any definition, those are weighty and time-consuming responsibilities, yet somehow candidates for the State Board of Education barely register in voters’ consciousness. Too often the candidate who appears first on the ballot wins the election.

There are many reasons for State Board of Education candidates occupying such a small role in voters’ minds. Perhaps the

biggest is the enormous size of State Board districts. Each member of the State School Board represents more than twice as many Utahns as a State Senator. Also, because State Board elections have been non-partisan affairs, typical mechanisms to vet candidates and inform the public haven’t worked.

Close observers may note that municipal elections are also non-partisan, yet mayoral and city council candidates receive close scrutiny. However, residents feel the impact of a city’s decision immediately. School districts and charter schools feel the impact of the State School Board’s decisions, but voters interact with the schools and their local legislative representatives. Usually they don’t know that the State Board made the decisions that affect their children.

To fix these problems, the Legislature passed SB 78, which requires that State Board of Education elections become partisan in 2018. My hope and expectation is that doing so will increase the scrutiny the voters give State Board candidates. To improve the vetting process this year, the [Utah Association of Public Charter Schools](#) is partnering with [KSL.com](#), the [Hinckley Institute of Politics](#) and the [Sutherland Institute](#) to host primary debates between the candidates for State Board of

### 2016 State School Board Debate Schedule

Sponsored by: Utah Association of Public Charter Schools

June 7th – 6:30 p.m.	District 15	George Washington Academy
June 8th – 6:30 p.m.	District 4	North Davis Preparatory Academy
June 15th – 6:30 p.m.	District 7	Salt Lake Arts Academy
June 16th – 6:30 p.m.	District 8	American International School of Utah
June 18th – 9:30 a.m.	District 11	Early Light Academy
June 22nd – 6:30 p.m.	District 10	Channing Hall

Education.

Moderated by KSL Radio’s Ethan Millard, the Deseret News’ Jay Evensen, the Hinckley Institute’s Jennifer Napier-Pearce and Christine Cooke of the Sutherland Institute, these debates will give the public an opportunity to hear the candidates’ unfiltered views. In addition, the candidates are responding in writing to questions submitted by the Sutherland Institute and UAPCS. Those responses are available on their respective websites.

Given the importance of these positions, your Taxpayers Association is endorsing candidates in several of these races. Specifically, we recommend Dave Thomas in SBE District 4, Shelly Teuscher in SBE District 7, Richard R. Nelson in SBE District 8,

Dave Crandall in SBE District 10, Reed Chadwick in SBE District 11, James Moss in SBE District 12 and Scott Smith and R. Neil Walter in SBE District 15. Each of these candidates have demonstrated their commitment to efficiently using Utah’s precious education dollars and to providing parents a broad array of educational choices.

District	Taxpayers Association recommendation
4	Dave Thomas (incumbent)
7	Shelly Teuscher
8	Richard R. Nelson
10	Dave Crandall (incumbent)
11	Reed Chadwick
12	James Moss
15	Scott Smith, R. Neil Walter

## Are My Property Taxes Going Up? (continued)

This is in addition to an extension of the RAP tax, which funds parks and recreation in the city, that voters approved. This is expected to bring in another \$1.3 million per year.

This year, Mayor John Curtis and the City Council are asking taxpayers for an additional 3% increase in their property taxes. The proposed tentative budget for 2017 is just more than \$200 million. That compares to last year’s adopted budget of just less than \$198 million.

The new money is expected to be used for pay increases for city personnel, as well as a rise in health insurance premiums, among other capital projects, including fire equipment.

Additionally, the budget also includes fee increases at several city-owned properties, including the Covey Center for the Arts and the Provo Cemetery. Utility rate increases are also being proposed to fund ongoing capital improvements in the city.

City Councilman Dave Sewell wrote [in a blog](#) that he believes “the requested 3.0% property tax increase is significantly above the actual inflation rate for the prior year. So I see three basic options – accept the 3.0% increase requested by the Administration, make the increase based on the actual inflation rate (probably closer to 1%), or not do the property tax increase. So far, the policy that seems most sustainable to me is to base property

tax increases more closely on the prior year’s actual inflation rate.”

Expect your Taxpayers Association to keep a close eye on this, and check our website throughout the upcoming months as we learn more.

[Click here to view the entire budget in its entirety.](#)

### South Weber City

South Weber City is looking to increase its property taxes due to a need for infrastructure funding, as well to keep up with inflation, according to city officials. The increase will be set at 19.8%, if the City Council approves it.

Utility rates, including water, are also increasing to keep up with inflation and maintenance needs, according to the city’s proposed budget.

The Truth in Taxation public hearing will be held on August 9th, 2016.

Learn more about the proposed tax increase by [clicking here](#).

### Utility Fees

First, a quick reminder. A fee is a tax.

Several cities are also proposing utility fees in order to compensate for a lack of infrastructure, specifically road, funding. These two cities are Pleasant Grove and Mapleton.

Despite Utah County voters overwhelming rejecting of Proposition 1 in 2015, officials in these

two cities are ignoring the voice of their constituents and proposing mandatory fees to pay for roads anyway.

Let's start with Pleasant Grove. They recently conducted an engineering study to determine the quality of their roads. They claim that in order for the roads to be rated with the grade of "C", it would cost \$3.8 million per year for the next 20 years.

Here's the breakdown of their current funding structure:

- Class C Revenue (State Gas Tax) - \$1,000,000
- Additional Gas Tax Recently Imposed - \$180,000
- General Fund Revenue Earmarked for Roads - \$195,000
- Budget Reductions added to road funding (One Time Money) - \$130,000
- Current Revenue for Road Maintenance and Repair - \$1,505,000

The fee, which would be forced upon every household and business in the entire city, would generate an additional \$1 million per year, nearly a fourth of what they say is needed.

These would be nearly \$60 annually for every household, regardless of if they use the roads or not, and more than \$700 for every business, both big and small, in the city.

The public hearing on the new road fee and proposed utility fees will be Tuesday, June 7th at 6:00 p.m. at the Pleasant Grove City Council Chambers at 86 East 100 South in Pleasant Grove.

The next city proposing a utility fee for road maintenance is also in Utah County, in Mapleton.

Mapleton officials, in October of 2013, conducted a survey of their infrastructure to determine the need and approximate cost of the maintenance needed. The survey, known as Local Technical Assistance Program (LTAP), concluded that the city needed an additional \$200,000.

However, this figure does not take into account the raise in the gas tax that the Legislature passed in 2015.

While the city has not yet unveiled specifics to the plan publicly, officials are tentatively looking at an approximate \$96 fee per household and business annually in the city.

The city will hold a Public Open House Wednesday, June 15, 2016 from 4:30pm to 6:30pm

at the City Center located at 125 West 400 North, and the City Council will consider approving a Utility Road Fund on July 6, 2016.

Your Taxpayers Association is adamantly opposed to these type of utility fees, since users of these roads ought to be paying for their usage through a gas tax.

### School District Bonds

While November is still a ways off, we thought we'd give a heads up about school district bonds being proposed.

First, Jordan School District is proposing a bond this year, following the massive \$500 million bond which voters overwhelmingly rejected back in 2013. District officials have narrowed it down to \$245 million to build 6 new schools and rebuild one in the district.

The estimate for the average homeowner in the district — those with a home worth \$287,000 — could expect a maximum increase in annual property taxes of \$16.80.

District officials have committed to your Taxpayers Association that they are working to keep construction costs down and to keep schools built within limits that are appropriate to taxpayers. We're reviewing these materials, and you can expect to hear much more on this in the coming months.

Over in the Alpine School District, officials are proposing a \$386 million bond to help accommodate growth and maintain existing schools, according to materials provided to your Taxpayers Association.

The bond would pay for 8 new schools, property for future schools, as well as rebuilding and renovating of two high schools and several elementary schools.

The most recent time the District voters approved a bond was in 2011, for \$210 million.

Your Taxpayers Association is still reviewing information in this bond, and will be sure to keep you updated in future editions of the Utah Taxpayer.

You can learn more about the Alpine School District bond by [clicking here](#).

We will keep an updated list and in future newsletters on our website as more information becomes available.

## Candidates for Governor Weigh In At 38<sup>th</sup> Annual Utah Taxes Now Conference

On May 16th, your Taxpayers Association hosted its 38th annual Utah Taxes Now Conference at the Grand America Hotel. Over 100 attendees participated in the annual tax summit.

Twenty-four presenters covered over a dozen different topics throughout the day, including education funding, water infrastructure planning, as well as the Association's economic initiative, Utah 2.0. Speakers included all three major gubernatorial candidates, both House Speaker Greg Hughes and Senate President Wayne Niederhauser, and Utah State Tax Commissioner John Valentine, along with many others.

Check out some of the highlights from the conference.

### Utah 2.0

During the luncheon at the conference, all three major gubernatorial candidates, Republican Jonathan Johnson, Democrat Mike Weinholtz, and Republican incumbent Gary Herbert, weighed in on the Association's legislative initiative, Utah 2.0.

[Utah 2.0](#) was launched in 2015 designed to spur economic development and expansion in Utah and to ensure future generations are able to find jobs in the state. For more history on Utah 2.0, you can

[click here](#). To watch business leaders discuss how Utah would benefit from the expansions, [click here](#). Or to see how the Utah 2.0 initiative fared during the 2016 Legislative Session, [click here](#).

Each of the gubernatorial candidates discussed the proposal at length, and you can hear each of their responses: [Jonathan Johnson](#), [Mike Weinholtz](#), and [Gary Herbert](#).

### Remote Sales Tax

One of the hottest topics during the 2016 Legislative Session, and the Taxes Now Conference was regarding how, and if, Utah should collect remote sales tax.

For context, a bill proposed by Rep. Mike McKell (R - Spanish Fork) during the 2016 Session would have created a physical presence, or nexus, from out-of-state sellers in order to collect sales tax from purchases made within the state. [HB 235](#) would have also created a small business threshold to not overly burden small sellers with major compliance costs.

Some had argued that, if the nexus were created, small businesses would be cut off from major sellers that have created affiliate networks with smaller retailers within state boundaries, which would hurt their bottom line.

The first presenter at the Conference on this issue had made that precise argument before the House Revenue and Taxation Committee during the Session. Natalie Martins owns a small business that reviews bicycles online, and she is part of an affiliate marketing system from a major online seller. She presented on how, if applied incorrectly, more strongly enforcing collecting remote sales tax in [HB 235](#) would harm hers and many other small businesses in the state. You can view her [presentation](#) and listen to her by [clicking here](#).

Dave Davis, President of the Utah Retail Merchants Association has also been deeply involved in the issue for years, and rebutted many of the arguments made by Ms. Martins. He argued that many traditional, brick and



Senator Ann Millner (R - Ogden) discusses her bill SB 103 as part of the Utah 2.0 initiative's presentation during the Utah Taxes Now Conference

mortar stores have been hit by the inequality in the tax code, while smaller, non-traditional retailers are unfairly benefiting. Similar to Ms. Martins, he believes that there needs to be a federal solution to this issue, but that Utah should take action to begin the leveling of the tax code now. Hear him give his [presentation here](#).

Additionally, each of the three gubernatorial candidates that presented on Utah 2.0 spoke on their views of remote sales taxes and how, and if, Utah lawmakers should take action. Both Republican Gary Herbert and Democrat Mike Weinholtz support Utah's more strongly enforced collection of these taxes, while Republican Jonathan Johnson believes Utah should wait for a federal solution.

Click to listen to [Johnson](#), [Weinholtz](#), and [Herbert's](#) remarks.

The Taxpayers Association wholly supports the collection of remote sales taxes to ensure equality between retail taxpayers with the belief that the additional revenue in these taxes should be offset by tax cuts to achieve neutrality.

#### *Water Infrastructure*

Utah's water needs and how to pay for it has been discussed for years, but had made some major progress in using tax dollars to begin the process of building infrastructure during the 2016 Session.

[Senate Bill 80](#) moved a sales tax earmark from being used for transportation and placed it towards an account that would be used to build major water infrastructure, specifically pipelines around the state. This could draw an approximate \$76 million away from transportation and move it to this new account each year, according to the Legislature's Fiscal Analyst Office.

Additionally, [SB 251](#), passed during the 2016 Session, tasked the State Water Development Commission in studying the use of these funds and whether proposed infrastructure is necessary before the monies can be used.

Senator Stuart Adams (R - Layton) and Representative Tim Hawkes (R- Centerville) presented on both these bills to explain why using sales taxes to pay for this infrastructure is necessary to meet Utah's water needs.



Incumbent and Republican candidate for governor Gary Herbert speaks along with the two other major gubernatorial candidates during the Utah Taxes Now Conference on May 16, 2016 at the Grand America Hotel

You can view their [presentation here](#), or [listen to it here](#).

Your Taxpayers Association opposes this proposal and believes water users should be responsible to pay for water infrastructure and maintenance, through the use of increased water fees and bonds, if necessary.

#### *Sales Tax Options*

During the 2016 Session, [SB 180](#), sponsored by Sen. Lyle Hillyard (R - Logan), one of the chief architects of Utah's budget, looked to eliminate a 0.5% local option sales tax for Salt Lake City as part of the package for being chosen to host the new state prison. SB 180 passed the Senate Revenue and Taxation Committee unanimously just the week before the full vote on the Senate floor, but was defeated by a narrow vote of 13-15.

Sen. Hillyard presented on why he feels it be absolutely necessary that Salt Lake City not receive this option, and why he's continuing on working on repealing it. [Listen to his presentation here](#).

Your Taxpayers Association is working with Sen. Hillyard and other interests to bring the bill back in the 2017 Legislative Session to ensure this possible tax increase is defeated.

These were only a small handful of the issues that were addressed during the Conference. You can view the presentations, and listen to all the presenters by [clicking here](#).

## Utah's Rainy Day Fund – Example to the Nation

Methods state lawmakers used to aid the state during the Great Recession are being noticed nationwide.

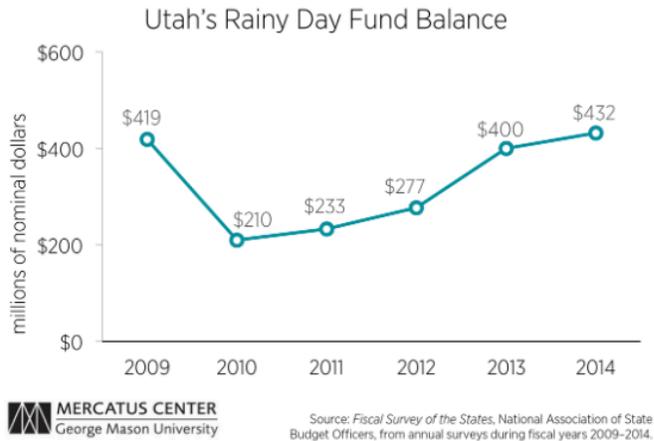
In a recent article published in *Governing* magazine, it was stated that other states should look to Utah as an example of how to manage rainy day funds to prepare for budget changes that can occur when a recession takes place.

The article's author, Justin Marlowe, a professor of public finance and civic engagement at the University of Washington, said states should consider Utah's action in 2015 that called on the state's budget staff to perform a fiscal stress test on the state's budget. This was done by staff forecasting the budget under conditions of severe economic stress. The process allowed lawmakers to see what was needed to put in the rainy day fund for the upcoming year in a calculated way.

*Governing's* article said the stress test showed Utah's fund is "probably large enough" to see the state through the next recession. It also noted that an important result of this stress test has assisted legislators in considering how certain spending items could quickly diminish the rainy the day fund when a recession occurs.

A study done by the Mercatus Center at George Mason University also has found that Utah is well positioned to weather another economic downturn. The center's study found that Utah is in the top 10 among the 50 states as far as being prepared to handle the loss in revenue that comes with a recession and not needing to raise taxes or cut services.

The Mercatus study shows that Utah managed



Data from the Mercatus Center at George Washington University shows Utah's Rainy Day Fund Balance from 2009 to 2014.

itself well in the Great Recession and has done its homework to withstand any financial storms that may be on the horizon in the future.

Lawmakers across the nation face many challenges when determining how much to put in their rainy day fund as money placed in a savings account means limiting a state's spending on roads, education, Medicaid and other services. Because of this challenge many states failed to save enough of their rainy day fund to sustain the state during the Great Recession. A number of states spent their reserves in the first few months of the 2008 downturn.

Your Taxpayers Association applauds Utah's Legislature for taking the right steps to prevent tax increases in lean budget years and also making certain that Taxpayers aren't having too much of their hard earned money taken from them and placed in the government's savings account.

## Tax Review Commission Taking Testimony Examining Expansion of Single Sales Factor

Utah's Tax Review Commission (TRC) took a deep dive look at expanding single sales factor apportionment in the state's corporate income tax during its May meeting.

Currently Utah law dictates that certain taxpayers are required to use a single sales factor formula, while others may annually elect to use

either a three-factor apportionment formula or a double-weighted sales factor formula, and other taxpayers may annually choose among all three options.

However, taxpayers that are in mining, natural gas distribution, manufacturing, transportation and warehousing, information, and finance and

insurance industries are not allowed the option to use the single sales factor apportionment when calculating their corporate income tax. The TRC is now investigating if it would be beneficial for Utah and its taxpayers to expand single sales apportionment to these industries.

The Commission, which is made up of six state legislators and 10 tax professionals, first received a briefing for legislative staff on the history of the use of single sales factor apportionments in the state of Utah and the legislation that accompanied those tax changes. The members of the commission also received an explanation of the dynamic fiscal notes that were associated with those bills to give them a broader scope of what the economic impact on the state would be if single sales factor apportionment was allowed to all companies within the state.

The Commission also received a report from Gary Cornia of BYU's Marriott School of Business. Cornia explained to the commission the various academic studies that have been done involving the single sales factor apportionment. He noted that the studies have been inconclusive as to whether the

change would mean economic growth for any state, as many states are now moving towards including single sales factoring for corporate income tax apportionment calculations. Curtis Trader, chair of the TRC, observed though that while states use tax policy to attract businesses that implementing single sales factoring may be a positive economic move for Utah as it would assist in growing the state's economy.

Your Taxpayers Association was asked to speak to the commission in June on this issue. The Association was supportive of House Bill 61 in this year's legislative session, which expanded the option to use the single sales factor apportionment to high-tech manufacturing businesses. We plan to call on the TRC to thoroughly vet how making single sales factor apportionment for all businesses mandatory could impact the state and to also identify which industries would be attracted to the state if the apportionment method was allowed to give lawmakers a better understanding of how to use this calculation method.

### **Association Accomplishments During May:**

- ❖ Planned and Organized the Taxes Now Conference
- ❖ Held the Annual Taxes Now Conference
- ❖ Met with Senator Orrin Hatch to Discuss the Health Insurance Tax
- ❖ Attended the Jordan School District Meeting to Discuss Proposed Bond
- ❖ Attended Revenue and Taxation Interim Committee Along with other Legislative Hearings and the Special Session

#### **In the News:**

- ❖ Review of our Legislative Scorecard and a Preview of our Taxes Now Conference
  - [Utah Policy](#)
- ❖ Governor Candidates on Tax Policies
  - [KUTV](#)
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- ❖ Mentions of our Taxes Now Conference
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